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RUEHNE/AMEMBASSY NEW DELHI PRIORITY 2568
RUEHKP/AMCONSUL KARACHI PRIORITY 8531
RUEHLH/AMCONSUL LAHORE PRIORITY 4473
RUEHPW/AMCONSUL PESHAWAR PRIORITY 3108
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL PRIORITY
RUEKJCS/SECDEF WASHINGTON DC PRIORITY
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C O N F I D E N T I A L SECTION 01 OF 02 ISLAMABAD 005410

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TAGS: PGOV PK PREL AEMR AMGT ASEC CASC KFLO MARR

SUBJECT: MGPK02: SITREP 6: CALM BEING RESTORED; ELECTION DECISION DEFERRED; STOCKS DROP

REF: ISLAMABAD 5393

Classified By: Anne W. Patterson, Reasons 1.4 (b), (d)

¶11. (C) Summary: Pakistan today slowly returned to life after three days of mourning for Benazir Bhutto. Major cities were largely quiet December 31, with most businesses open and public transportation running. Pakistan's Election Commission deferred to tomorrow a decision on whether elections can occur January 8. Pakistan People's Party (PPP) leader Makhdoom Amin Faheem is meeting with Musharraf tonight regarding election timing. Opposition parties, including Pakistan People's Party are committed to contesting elections on time, but there are logistical hurdles, especially in Sindh where several election offices were torched over the weekend. Trading on the Karachi Stock Exchange has been suspended for today due to a five percent drop in trading. The GOP agreed to a Scotland Yard investigation of the Bhutto assassination, but we have no confirmation that a request has been conveyed to the U.K. Embassy and consulates returned to regular operations. End summary.

Calm Being Restored

¶12. (SBU) After three days of mourning (and violent riots), Pakistan's cities were relatively quiet December 31, with some small demonstrations randomly occurring. CGs Peshawar and Lahore report a return to "normalcy," with most shops, gas stations and other businesses open and city public transportation running. Islamabad and Rawalpindi have been normal. There were reports late December 31 of sporadic violence in Karachi related to rumors of attacks on the Muttahida Quami Movement's (MQM) headquarters. National and international (to/from India) train lines are also re-opening.

Election Decision Deferred

¶13. (U) Pakistan's Election Commission (ECP) postponed to January 1 a decision on whether the scheduled January 8 general elections could go forward. It has asked for reports from provincial governments and ECP branch offices.

¶14. (U) Sindh's provincial election commissioner has already stated that several district offices were torched over the last three days, destroying ballot boxes and voters' lists. The printing of ballots has also been delayed. The Sindh official doubted elections could be held on time in these

areas, estimating that three weeks were needed to get back on schedule.

15. (SBU) Pakistan People's Party (PPP) decided December 30 to go forward with elections on schedule. In light of this decision, fellow opposition Pakistan Muslim League-Nawaz (PML-N) confirmed December 31 that it, too, will contest elections (contrary to Nawaz Sharif's publicly-stated inclinations on December 27). Jamiat Ulema-e-Islam (JUI-F) leader Fazlur Rehman was quoted as "favoring a slight delay" in elections. Musharraf's Pakistan Muslim League party is prepared to delay elections until mid-February.

The Investigation

16. (C) Pakistan's National Security Advisor Tariq Aziz to the Ambassador December 31 that it will abide by a Bhutto family request and have Scotland Yard conduct an independent investigation of Bhutto's assassination. However, the U.K. has not received any request so far. The press is full of conspiracy theories. Several home videos that purport to show various versions of the assassination are being shown on local TV.

Karachi Stock Exchange Drops

17. (SBU) The Karachi Stock Exchange's KSE 100 Index lost 647.9 points in heavy trading triggering the overall five percent loss threshold, which suspended trading. Trading will resume tomorrow. The KSE 100 index fell from 14772.08 to 14077.16 overall. This drop is not unique in comparison

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to past market reactions to other major, national crises, and the KSE 100 is still up about 40 percent for the year.

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